

March 25, 2004

MEMORANDUM TO: William D. Travers
Executive Director for Operations

Jesse L. Funches
Chief Financial Officer

FROM: Stephen D. Dingbaum/**RA**/
Assistant Inspector General for Audits

SUBJECT: MEMORANDUM REPORT: NRC'S TRANSITION TO THE
DEPARTMENT OF INTERIOR AS PAYROLL SERVICES
PROVIDER (OIG-04-A-12)

SUMMARY

The Office of the Inspector General (OIG) conducted a limited scope review to assess the status and impact of the Nuclear Regulatory Commission's (NRC) transition to the Department of Interior (DOI) as payroll services provider. NRC completed the transition in November 2003, well in advance of a September 2004 deadline established by the Office of Management and Budget (OMB). This early transition precluded the need for an NRC payroll system upgrade and consequently saved the agency \$1.2 million. In addition, Office of the Chief Financial Officer (OCFO) officials anticipate future annual savings of \$965,000 as a result of the transition. The transition was achieved smoothly and, according to an OCFO staff member, except for several cases involving minor pay calculation errors, NRC employees received their correct pay on time. However, the Office of Human Resources (HR) and OCFO need to continue their effort to resolve remaining roles and responsibilities between the two offices.

BACKGROUND

Reason for NRC's Transition

In November 2003, as a result of the governmentwide e-Payroll initiative, DOI became NRC's payroll services provider. E-Payroll, 1 of 6 e-Government initiatives, is a mandated cross-agency project to consolidate 22 Federal payroll entities into 2 dual-agency payroll services partnerships by September 2004. By consolidating planned duplicative payroll modernization efforts, the e-Payroll initiative is expected to provide high-quality service while saving over \$1.2 billion governmentwide in future information technology investment costs through economies of scale and cost avoidance. OMB designated the Office of Personnel Management (OPM) as the managing partner to lead the e-Payroll initiative.

As a result of NRC's transition, DOI now processes pay and provides related services for NRC employees using the Federal Personnel/Payroll System. In addition, the Federal Personnel/Payroll System is HR's system of record used by HR staff to process HR transactions (e.g., hiring, promotions, reassignments). Prior to the transition, OCFO staff processed employee pay using the payroll portion of NRC's Human Resources Management System and HR staff processed HR transactions using the HR portion of the Human Resources Management System. In addition, NRC employees now use Employee Express, an OPM system, to enter certain discretionary payroll and personnel transactions directly into the Federal Personnel/Payroll System. These discretionary transactions were formerly entered manually into the Human Resources Management System by HR and OCFO staff.

NRC's e-Payroll Transition Schedule

In January 2003, OPM identified four payroll providers to form two partnerships to provide payroll services for the entire Federal Government. OPM selected these four providers — DOI, the Department of Agriculture, the General Services Administration (GSA), and the Department of Defense — from a pool of eight applicants.¹ OPM initially assigned 1 of the 4 providers to each of the 22 affected agencies, but allowed that by February 3, 2003, agencies needed to confirm their choice of a cross-servicer. Agencies must complete their transitions by September 2004.

In January 2003, OPM assigned GSA to NRC as its cross service payroll provider. NRC researched whether GSA was well suited for the task and decided that DOI was a better choice because DOI:

- ◆ Had an integrated system that could accept NRC's integrated payroll/human resources data.
- ◆ Already cross-serviced with NRC for a financial system.
- ◆ Had future capabilities in which NRC was interested.

All four of the providers were viewed as comparable in terms of cost.

¹Partnerships are planned between the Department of Defense and the General Services Administration and between DOI and the Department of Agriculture.

Early Transition to DOI

In November 2003, NRC transitioned to DOI, becoming one of the first agencies to transition under the e-Payroll initiative. NRC chose to transition early because OMB directed that agencies could not spend FY 2003 funds to modernize payroll processing unless the investment was for migrating to one of the consolidated payroll processors. According to agency managers, had NRC not transitioned at that time, the agency's Human Resources Management System would have needed a \$1.9-million upgrade to continue processing payroll accurately and continue to receive system maintenance. These managers also thought that transitioning early would allow NRC to receive more attention from DOI than would be possible closer to the September 2004 deadline. NRC staff were confident that the agency could transition at the early time even if specific guidance for HR staff concerning new procedures was not complete.

STATUS

Impact on NRC

As a result of the DOI transition, NRC achieved a one-time cost savings of \$1.2 million² and reduced payroll team staff by three. NRC anticipates additional cost savings and staff reductions during FY 2005 due to the transition. Specifically, OCFO projects annual savings of \$965,000, some of which will result from a further reduction in payroll team staff.³

The transition also resulted in increased duties for a number of HR staff and a continued role for some OCFO staff. Some of these post-transition roles were unanticipated and NRC staff are engaged in an effort to determine which office is best equipped to handle these remaining duties. For example, some HR staff are now performing certain payroll related data entry tasks which, prior to the transition, were performed by OCFO staff. These tasks include entering tax, health benefit, and Thrift Savings Plan information for new employees; performing calculations for military redeposit; and serving as the signoff point for debt management when an employee terminates but owes a debt to NRC.⁴ Guidance for these and other tasks has yet to be formalized in a standard operating procedures document, but HR will develop procedures once remaining payroll related roles and responsibilities between HR and OCFO have been finalized. In the meantime, HR specialists are receiving training from another staff member in that office who is most knowledgeable about the new procedures. In addition, DOI has provided training for HR staff on accomplishing their payroll related data entries.

²This one-time cost savings resulted from the difference between the estimated \$1.9-million cost to upgrade Human Resources Management System to a new version and the \$700,000 needed to transition payroll and HR to the Federal Personnel/Payroll System.

³During FY 2002, the payroll team had 12 staff; 6 staff are projected for FY 2005.

⁴According to an HR staff member, although these tasks were performed by OCFO, it is not unusual at other Federal agencies for HR staff to perform them. The staff member also explained that it is logical for HR staff to perform these tasks because of the way in which the Federal Personnel/Payroll System is set up.

While the amount of payroll related work for OCFO staff has decreased, a number of staff are still involved with payroll related services. For example, OCFO still runs the time and labor portion of the Human Resources Management System, oversees the contract with DOI, maintains responsibility for ensuring that employees receive the correct pay, and performs a liaison role between NRC and DOI to ensure that employee questions are answered and problems are resolved. Agency managers and staff are actively working to finalize roles and responsibilities between the two offices.

Impact on Employees

An OCFO staff member reported that except for several cases involving minor calculation errors, NRC employees received their correct pay on time following the transition. The staff member said that the types of minor errors that occurred were similar to errors and issues that arise during any pay period. For example, certain benefit deductions were not calculated correctly for several employees.

CONCLUSION

While the transition went smoothly and achieved a cost savings for NRC, it was not without minor drawbacks. The agency did not anticipate certain remaining tasks. OCFO and HR have yet to finalize roles and responsibilities, and guidance still needs to be developed. Nevertheless, both HR managers and OCFO managers are satisfied with the DOI choice and OCFO is cooperating with and supporting HR's new responsibilities.

AGENCY COMMENTS

A draft of this report was shared with NRC management. On March 24, 2004, OCFO managers met with auditors to provide verbal comments concerning the draft. During this meeting, the OCFO managers said they agreed with the information conveyed in the report and suggested additional details for inclusion in the report. These comments were incorporated in this final version, as appropriate.

SCOPE/CONTRIBUTORS

To accomplish this limited scope review assessing NRC's transition to the DOI as payroll services provider, auditors reviewed relevant criteria such as the OMB Memorandum on *Consolidating and Standardizing Federal Civilian Payroll Processing*, OPM Web site information on e-Gov and e-Payroll, NRC Yellow Announcements, and NRC Network Announcements. In addition, OIG received the DOI Help Line Logs for three pay periods and cost information provided by OCFO. Auditors interviewed HR and OCFO staff to better understand the transition process and outcome.

This work was conducted from January 29, 2004, to February 12, 2004, in accordance with generally accepted Government auditing standards. The work was conducted by Judy Gordon, Senior Management Analyst, and Beth Serepca, Team Leader.

cc: Chairman Diaz
Commissioner McGaffigan
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